

## Message Text

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ACTION IO-11

INFO OCT-01 AGR-10 AID-05 EB-07 AF-06 ARA-10 EA-09 EUR-12

NEA-10 COME-00 ISO-00 TRSE-00 IOE-00 ABF-01 OMB-01

OIC-02 SS-15 SP-02 NSC-05 L-03 H-02 PA-02 PRS-01

USIA-15 CIAE-00 INR-07 NSAE-00 /137 W

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P R 261612Z FEB 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 5985

INFO USMISSION USUN NEW YORK

UNCLAS ROME 03127

FODAG

E.O. 11652: N/A

TAGS: FAO, UNDP

SUBJ: FAO BRIEFING ON STRUCTURE OF UNDP-FINANCIAL FAO FIELD  
PROGRAM

REF : STATE 38843

SUMMARY: TOP FAO OFFICIALS ON FEBRUARY 24 BRIEFED PERMANENT  
REPRESENTATIVES ON CUTS IN UNDP-FINANCED FAO FIELD PROGRAM.  
OMITTING THEIR BRIEFING ON DEVELOPMENTS IN NEW YORK,  
PRINCIPAL POINTS MADE WERE THAT FAO FIELD PROGRAM MUST BE CUT  
BY ABOUT 50 PERCENT FROM 1975 LEVEL AND EXPERTS -- FAO'S NOT-  
EASILY-REPLACEABLE STOCK IN TRADE -- CUT BY 650 FROM 1800 (36  
PERCENT). FAO FORESEES UNDP CASH FLOW SHORTAGES (TOTAL  
UNDP, NOT JUST FAO) OF \$9 MILLION IN MARCH 1976 AND MORE THAN  
\$30 IN OCTOBER AND LATER, AND SAYS AUTHORITY FOR FURTHER UNDP  
SHORT-TERM BORROWING FROM FAO IS NOT CLEAR. GUINEA AND BRAZIL  
EXPRESSED CONCERN ABOUT LONGRANGE POLICY IMPLICATIONS OF CUT-BACK,  
PREJUDICING FINANCING OF NEEDS AND GROWTH CAPACITIES OF LDC'S  
IN AGRICULTURE.

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1. ON FEBRUARY 24, FAO DEPUTY DIRECTOR-GENERAL ROY JACKSON,

IN ABSENCE OF DIRECTOR-GENERAL WHO WAS ATTENDING MEETING OF UN RESTRUCTURING COMMITTEE IN NEW YORK, CONVENED ALL PERMANENT REPRESENTATIVES TO FAO TO BRIEF THEM ON EFFECTS OF UN DEVELOPMENT PROGRAM (UNDP) RESOURCES PROBLEMS UPON FAO AND ITS FIELD PROGRAMS. FAO SPOKESMEN WERE ASSISTANT DIRECTOR-GENERAL FOR ADMINISTRATIVE AND FINANCE EDWARD WEST, ASSISTANT DIRECTOR-GENERAL F.E. POPPER (WHO HAD REPRESESENTED FAO IN PROGRAM WORKING GROUP IN CLOSING PERIOD OF UNDP GOVERNING COUNCIL SESSION), AND FIELD LIAISON DIVISION DIRECTOR KARL OLSEN (WHO HAD REPRESENTED FAO IN UNDP GOVERNING COUNCIL SESSION, AND WAS SUBSTITUTING IN PERMANENT REPRESENTATIVES' MEETING FOR ASSISTANT DIRECTOR-GENERAL FOR DEVELOPMENT JUAN YRIART, WHO IS ILL). IT IS UNNECESSARY TO REPORT SECOND-HAND BRIEFING ON UNDP DEVELOPMENTS IN NEW YORK. FOLLOWING IS RESTRICTED TO MAIN FAO AND PERMANENT REPRESENTATIVE REACTIONS TO SITUATION.

2. /UNDP CASH FLOW SITUATION/. WEST SAID THERE HAD BEEN SOME CRITICISM IN UNDP GOVERNING COUNCIL OF CHARGING INTEREST ON FAO LOAN TO UNDP FROM WORLD FOOD PROGRAM FUNDS WHEN LOAN WAS REPAYED IN JANUARY, BUT WFP MONEY HAD BEEN EARNING INTEREST BEFORE AND NOT TO HAVE CHARGED UNDP INTEREST WOULD HAVE UNFAIRLY DETRACTED FROM RESOURCES GIVEN WFP BY CONTRIBUTOR COUNTRIES. UNDP HAS MET FEBRUARY PAYROLL OF FAO FIELD PROJECTS AND THERE ARE NO SIGNS YET OF DIFFICULTY FOR MARCH, BUT THERE ARE UNCERTAINTIES LATER. POPPER SAID PROJECTIONS SHOW APPARENT \$9 MILLION TOTAL UNDP (NOT JUST FAO COMPONENT) SHORT-FALL IN LATE FEBRUARY OR IN MARCH, AND LARGER SHORT-FALL OF ABOUT \$40 MILLION (WHICH MAY BE REDUCED TO ABOUT \$30 MILLION SWEDISH CONTRIBUTION) IN OCTOBER AND AFTERWARD. WEST TWICE DISCUSSED INCONCLUSIVELY, ONCE IN RESPONSE TO BRAZILIAN QUERY WHETHER UNDP COULD AGAIN BORROW MONEY FROM FAO TO MEET CASHFLOW PROBLEM. HE SAID UNDP GOVERNING COUNCIL HAD DEFERRED UNTIL JUNE GIVING UNDP ADMINISTRATOR BORROWING AUTHORITY, BUT IT HAD NOT SPECIFICALLY DENIED HIM AUTHORITY TO OBTAIN FUNDS FROM FAO AS UNDP DID, IN DECEMBER 1975. WEST OBFUSCATED ON WHETHER FAO FUNDS WERE A LOAN OR NOT. JACKSON SUMMARIZED BY CONCLUDING THAT BORROWING SITUATION IS NOT CLEAR.

3. /CUTS IN FAO FIELD PROGGRAM AND PERSONNEL/. FAO OFFICIALS BASE THEIR CALCULATIONS ON UNDP PROJECTION OF TOTAL EXPENDITURES UNCLASSIFIED

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OF \$530 MILLION (INCLUDING UNDP AND EXECUTING AGENCY OVERHEADS) FOR 1976, OF WHICH \$370 MILLION (69.8 PERCENT) IS TO GO TO FIELD PROGRAM. FAO'S 30 PERCENT SHARE OF FIELD PROGRAM, LIKELY OVERALL BUT NOT NECESSARILY IN EACH INDIVIDUAL COUNTRY, WOULD BE \$111 MILLION. OLSEN SAID EVERYONE IS DISTRESSED ABOUT THE MAGNITUDE OF CUTS, BUT NO NEW FUNDS ARE FORTHCOMING EXCEPT FROM SWEDEN. UNDP RESIDENT REPRESENTATIVES HAVE BEEN GIVEN CEILINGS AND MUST CONSULT WITH RECIPIENT GOVERNMENTS BEFORE SUBMITTING

REVISED COUNTRY ACTION PLANS IN MARCH: THIS LAST WAS REITERATED IN RESPONSE TO SENEGAL QUERY. ONLY ABOUT 40 REVISED COUNTRY ACTION PLANS HAVE BEEN RECEIVED THUS FAR BY FAO. UNTIL THIS UNDP PROCESS IS COMPLETED, IN MARCH, FAO WILL NOT KNOW PRECISE EFFECT OF CUTS. NOW FAO IS OPERATING ON BASIS OF OVERALL FIGURE. POPPER SAID FAO FIELD PROGRAMS AND PERSONNEL WILL HAVE TO BE CUT TO LITTLE MORE THAN HALF OF LATE 1975 LEVEL. PRESENT FAO FIELD PERSONNEL OF ABOUT 1800 WILL HAVE TO BE CUT BY ABOUT 650 (36 PERCENT) -- PAINFUL FOR FAO BECAUSE ITS FIELD EXPERTS ARE ITS MAIN STOCK IN TRADE, AND ONCE CUT CANNOT READILY BE BUILT UP AGAIN. CHILE RAISED QUESTION OF CUTTING OVERHEAD COSTS, AND WEST SAID UNDP WAS PURSUING THIS BUT FAO IS ALREADY ON LOW SIDE, WITH 15-16 PERCENT IN 1975 AS COMPARED TO UNIDO'S 34 PERCENT. SWITZERLAND RAISED QUESTION OF COUNTRIES TAKING OVER SOME ABANDONED PROJECTTS. OLSEN SAID THIS WAS BEING DONE IN SOME CASES - BY SWEDEN, AND BY BANKS FOR 2 NEPAL PROJECTS. JACKSON SAID THIS COULD BE BEST DONE AFTER UNDP REVISIONS OF COUNTRY ACTIONS PLANS ARE COMPLETED. SWITZERLAND ALSO SUGGESTED LIBERALIZING FAO LEAVE-WITHOUT-PAY ARRANGEMENTS, AND WEST SAID FAO WOULD DO SO, WHICH WOULD REQUIRE HIGHLY INDIVIDUAL CONSIDERATION OF NON-SALARY REMUNERATIONS. (SUCH AS PENSIONS, EDUCATIONAL ALLOWANCES, AND FURNITURE SHIPMENT), BUT THAT IN ANY EVENT FEW EXPERTS WOULD PROBABLY BE WILLING UNDER THESE CIRCUMSTANCES OF RELEASE TO HOLD THEMSELVES READILY AVAILABLE TO FAO.

4. /LONG-RANGE POLICY IMPLICATIONS/. GUINEA (FOFANI) TURNED DISCUSSION TO LONG-RANGE IMPLICATIONS OF PROBLEM, AS OPPOSED TO IMMEDIATE SITUATION -- LACK OF RESOURCES TO MEET DEVELOPMENT NEEDS OF LDC THIRD WORLD COUNTRIES. HE ALLEGED THERE WAS OFFENSIVE, WITHOUT SPECIFYING BY WHICH COUNTRIES, AGAINST AGENCIES CONCERNED WITH LDC DEVELOPMENT. HE SUGGESTED CONVENING SPECIAL CONFERENCE INVOLVING FAO AND OTHER AFFECTED AGENCIES TO FIND SOME MEANS OF FINANCING DEVELOPMENT. BRAZIL (BRITO) UNCLASSIFIED

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COMMENTED THAT GROWTH CAPACITY FOR INVESTMENT IN AGRICULTURAL DEVELOPMENT SHOULD INCREASE AT RATE OF ABOUT 12-15 PERCENT ANNUALLY AND THAT EVEN REMAINING AT LEVEL, LET ALONE MAJOR CUT, WAS FAILING UTILIZE GROWTH CAPACITY. SALVADOR CLOSED DISCUSSION WITH COMMENT COMMENDING EFFORTS BY UNDP GOVERNING BOARD TO MEET FINANCIAL CRISIS AND ITS SUCCESS IN MAKING CONCRETE ARRANGEMENT.

5. /FOLLOW-UP MEETING/. JACKSON SAID HE PLANS TO CONVENE ANOTHER MEETING IN LATE MARCH WHEN UNDP'S REVISED COUNTRY ACTION PLANS ARE COMPLETED. VOLPE

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, FINANCIAL CRISIS, INTERNATIONAL ORGANIZATIONS, COMMITTEES, DEVELOPMENT PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 FEB 1976  
**Decapton Date:** 01 JAN 1960  
**Decapton Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760072-1110  
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**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION IO  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 38843  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** castelsl  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 JUL 2004 by schwenja>; APPROVED <01 SEP 2004 by castelsl>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FAO BRIEFING ON STRUCTURE OF UNDP-FINANCIAL FAO FIELD PROGRAM  
**TAGS:** PORG, FAO, UNDP  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006